

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>VILLAGE OF CARLETON</b>	County <b>MONROE</b>
Audit Date <b>2/28/05</b>	Opinion Date <b>4/26/05</b>	Date Accountant Report Submitted to State: <b>8/3/2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

**COOLEY HEHL WOHLGAMUTH & CARLTON, CPAS, PLLC**

Street Address

**ONE SOUTH MONROE STREET**

City

**MONROE**

State

**MI**

ZIP

**48161**

Accountant Signature

*Cooley Hehl Wohlgamuth & Carlton*

Date

**07-12-05**

VILLAGE OF CARLETON  
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

February 28, 2005

# VILLAGE OF CARLETON

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Independent Auditor's Report

President and Village Council  
Village of Carleton  
Carleton, Michigan 48117

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carleton, Monroe County, Michigan as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Carleton, Monroe County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carleton, Monroe County, Michigan as of February 28, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of March 1, 2004. This results in a change in the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 36 through 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

President and Village Council  
Village of Carleton

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Carleton, Monroe County, Michigan basic financial statements. The comparative and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The comparative and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cooley Nell Wohlgamuth & Carlton*

April 26, 2005

## VILLAGE OF CARLETON

### *Management's Discussion and Analysis* February 28, 2005

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This section of the Village of Carleton's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended February 28, 2005. Please read it in conjunction with the Village's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Village's revenues and expenditures by program for the General Fund, Special Revenue Funds, Internal Service Funds, and Enterprise Funds.

The Governmental Accounting Standards Board (GASB) adopted this reporting model in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. GASB Statement No. 34 permits the omission of comparative information in the first year of adoption of the new reporting model and, considering the financial resources necessary to prepare the comparative information for the prior year, the Village has elected to exclude the information in this report. Subsequent reports will include comparative information.

#### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village of Carleton financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the Village as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Village's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Village's most significant funds - the General Fund and the Major Street Special Revenue Fund. All other funds are presented in one column as nonmajor funds. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the Village acts solely as an agent for the benefit of the public. The following summary illustrates how the various parts of this annual report are arranged:

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplemental Information)*

#### Basic Financial Statements

*Government-Wide Financial Statements*      *Fund Financial Statements*

*Notes to the Basic Financial Statements*

*Budgetary Information for Major Funds*  
*(Required Supplemental Information)*

*Other Supplemental Information*

## VILLAGE OF CARLETON

### *Management's Discussion and Analysis* February 28, 2005

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#### **Government-Wide Financial Statements**

The Statement of Net Assets and the Statement of Activities (pages 10-12), which appear first in the Village's financial statements, report information on the Village as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Village's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Village's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Village's operating results. However, the Village's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Village.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Village, which encompass all of the Village's services, including general government services, public safety, public works, culture and recreation, and sewage disposal services. Property taxes, state grants, and capital contributions finance most of these activities.

#### **Fund Financial Statements**

The Village's Fund Financial Statements (pages 13-22) provide detailed information about the most significant or "major" funds - not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Village's three types of funds, governmental, proprietary, and fiduciary, use different accounting approaches as described below:

**Governmental funds** - Many of the Village's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 14 and 16.

**Proprietary fund** - A Proprietary Fund is used to account for business-type activities of the Village which consists of the Sewage Disposal Fund. This fund accounts for the services provided by the Village where the Village charges customers for the services it provides. This fund uses accrual accounting; the same method used by private sector business. An internal service fund is used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its equipment rental activity. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.



## VILLAGE OF CARLETON

### Management's Discussion and Analysis February 28, 2005

#### Fund Financial Statements (Concluded)

**Fiduciary funds** - An Agency Fund is used to account for the Village's payroll and related payroll taxes and for assets held by the Village as an agent for the collection and disbursement of property taxes.

#### Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of February 28, 2005:

**Table 1:**

#### Condensed Statement of Net Assets February 28, 2005

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$1,484,068	\$ 1,359,050	\$ 2,843,118
Capital assets	<u>315,491</u>	<u>8,956,429</u>	<u>9,271,920</u>
<b>Total Assets</b>	1,799,559	10,315,479	12,115,038
Current and other liabilities	68,892	299,549	368,441
Long-term liabilities	<u>34,776</u>	<u>4,550,000</u>	<u>4,584,776</u>
<b>Total Liabilities</b>	<u>103,668</u>	<u>4,849,549</u>	<u>4,953,217</u>
Net Assets			
Invested in capital assets, net of related debt	315,491	4,176,429	4,491,920
Restricted	721,116	-	721,116
Unrestricted	<u>659,284</u>	<u>1,289,501</u>	<u>1,948,785</u>
<b>Total Net Assets</b>	<u>\$1,695,891</u>	<u>\$ 5,465,930</u>	<u>\$ 7,161,821</u>

As depicted in Table 1, the Village's net assets were \$7.2 million at February 28, 2005. Of this amount, a positive \$1.9 was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Village as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the fiscal year ended February 28, 2005.

# VILLAGE OF CARLETON

## Management's Discussion and Analysis February 28, 2005

### Government-Wide Financial Analysis - Concluded

**Table 2:**

#### Changes in Net Assets Year Ended February 28, 2005

	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>			
Program revenues			
Charges for services	\$165,956	\$465,034	\$ 630,990
Operating grants and contributions	<u>149,675</u>	<u>-</u>	<u>149,675</u>
	315,631	465,034	780,665
General revenues			
Property taxes	325,697	-	325,697
State grants	250,192	-	250,192
Other general revenues	<u>25,029</u>	<u>322,807</u>	<u>357,836</u>
	<u>600,918</u>	<u>322,807</u>	<u>933,725</u>
Total Revenues	916,549	797,841	1,714,390
<b>Functions/Program Expenses</b>			
Legislative	6,827	-	6,827
General government	160,531	-	160,531
Public safety	285,954	-	285,954
Public works	270,670	-	270,670
Recreation and cultural	55,134	-	55,134
Sewer	<u>-</u>	<u>609,636</u>	<u>609,636</u>
Total Expenses	<u>779,116</u>	<u>609,636</u>	<u>1,388,752</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$137,433</u>	<u>\$188,205</u>	<u>\$ 325,638</u>

As indicated in Table 2, the cost of *all governmental* activities this year was \$779,116. Of this amount, \$315,631 was subsidized with revenue generated from charges for services, grants and other contributions with the remaining costs financed with general revenues.

As indicated in Table 2, the cost of *all business-type* activities this year was \$609,636. The sewer system is financed by charges to the Village customers.

The Village experienced an increase in net assets of \$325,638. The increase in net assets differs from the change in fund balance. A reconciliation of the change in fund balances for the governmental activities to the change in net assets appears on page 16.

## VILLAGE OF CARLETON

### *Management's Discussion and Analysis* February 28, 2005

#### **Fund Financial Analysis**

As noted earlier, the Village uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the Village of Carleton is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Village's overall financial health.

As the Village completed this year, the governmental funds reported a combined fund balance of \$1,333,451, which is an increase of \$103,631 from last year. The changes in the General Fund and Special Revenue Funds are as follows:

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Total</b>
<b>Fund balances - Beginning of year</b>	\$590,166	\$639,654	\$1,229,820
Increase (decrease)	29,181	74,450	103,631
<b>Fund balances – End of year</b>	<u>\$619,347</u>	<u>\$714,104</u>	<u>\$1,333,451</u>

The Village's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

<b>Revenues</b>	<b>February 28, 2005</b>	<b>February 29, 2004</b>	<b>Percent Change</b>
Property taxes	\$325,697	\$295,297	10.29%
Licenses and permits	61,900	24,890	148.69%
State grants	251,925	257,660	(2.23)%
Charges for services	332	476	(30.25)%
Interest	6,425	5,846	9.90%
Other	<u>34,517</u>	<u>54,710</u>	(36.91)%
Total Revenues	<u>\$680,796</u>	<u>\$638,879</u>	6.56%

The Village's revenues increased from \$638,879 in 2004 to \$680,796 in 2005 due to the increase in property tax revenue which is the result of an increase in the taxable value and a slight increase in the millage rate. Also, there was a significant increase in license and permit revenue due to the new construction in the Village.

## VILLAGE OF CARLETON

### *Management's Discussion and Analysis* February 28, 2005

#### **Fund Financial Analysis – Concluded**

<b>Expenditures</b>	<b><u>February 28, 2005</u></b>	<b><u>February 29, 2004</u></b>	<b><u>Percent Change</u></b>
Legislative	\$ 5,911	\$ 5,373	10.01%
General government	101,148	96,852	4.44%
Public safety	235,013	220,824	6.43%
Public works	128,435	118,261	8.60%
Recreation and cultural	616	358	72.07%
Other	165,492	156,700	5.61%
Operating transfers out	<u>15,000</u>	<u>15,000</u>	0.00%
Total Expenditures	<u><u>\$651,615</u></u>	<u><u>\$613,368</u></u>	6.24%

The Village's expenditures increased from \$613,368 in 2004 to \$651,615 in 2005 because of an increase of expenditures in all functions of government which is illustrated in the table above. The most notable increases were for building inspection, hospitalization insurance, general insurance, and worker's compensation. Building inspection expenditures increased by \$12,388 (412%); hospitalization insurance increased by \$4,620 (7%); general insurance increased by \$6,152 (14%); and worker's compensation increased by \$1,243 (21%).

#### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires the Village Board to adopt the original budget for the upcoming fiscal year prior to March 1, the start of the fiscal year. Over the course of the year, the Village revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Village's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Revisions to the General Fund original budget were as follows:

**Revenues** - The original budget of \$692,400 was amended to \$661,400 during the year. The final budget reflects amendments to increase licenses and permits revenue, interest income, and other revenue. There were budget amendments to reduce property taxes, state shared revenue, and ordinance 168 fees. These changes resulted in a net reduction in revenues of \$31,000.

**Expenditures** - The original budget of \$692,400 was amended to \$661,400 during the year. The reduction of expenditures by approximately \$31,000 was primarily attributed to the amendment to reduce the expenditure for engineering by \$34,500.

## **VILLAGE OF CARLETON**

### *Management's Discussion and Analysis* February 28, 2005

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#### **Capital Asset and Debt Administration**

##### **Capital Assets**

At February 28, 2005, the Village had \$11,287,661 invested in a broad range of capital assets, including land, building and improvements, machinery and equipment, and vehicles. This year's additions of approximately \$46,769 included office equipment, police vehicle, and police department equipment. Deletions of \$98,626 were for the disposal of equipment. No new debt was issued for these additions. Depreciation for this year totaled \$231,864. There was \$113,969 spent for construction on Ann Street. Details regarding capital assets are included in Note 7 to the financial statements.

##### **Debt**

At February 28, 2005, the Village's debt for the Sewage Disposal System No. 3 bonds was \$4,780,000. The bonds are paid with charges for services. The Sewage Disposal System No. 2 bonds and the installment purchase agreement for the backhoe/loader were paid off during the fiscal year. Details regarding debt are included in Note 9 to the financial statements.

#### **Development of the 2006 Fiscal Year Budget**

Our elected officials consider many factors when setting the Village's 2006 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to important factors affecting the budget. The budget for taxes was increased by 10 percent over the prior year's budget. Also, the budget for state shared revenue was decreased by 3.5 percent due to the reduction received from the state. The Village has budgeted expenditures at \$702,000. This is an increase of \$40,600 (6%) over the prior year. Increases are in the areas of public safety, hospitalization insurance, and retirement contributions. The increase in public safety is due to an additional shift for the police department, the annual increase in public safety wages, and the increase of fuel cost for police vehicles.

#### **Contacting Village of Carleton's Business Office**

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the Village of Carleton Clerk, 1230 Monroe, P.O. Box 376, Carleton, MI 48117.

# VILLAGE OF CARLETON

## *Statement of Net Assets* *February 28, 2005*

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$1,307,647	\$907,333	\$2,214,980
Accounts receivable	42,601	30,664	73,265
Due from other governmental units	77,240	80,363	157,603
Advances to other funds	18,500	0	18,500
Prepaid expenses	38,080	0	38,080
Restricted assets:			
Cash with fiscal agent	0	290,944	290,944
Cash and certificate of deposit	0	49,746	49,746
Depreciable capital assets, net	315,491	8,956,429	9,271,920
 Total Assets	 1,799,559	 10,315,479	 12,115,038
<b>Liabilities</b>			
Accounts payable	26,291	12,380	38,671
Due to other funds	0	4,213	4,213
Due to other governments	26,133	3,164	29,297
Payables from restricted assets:			
Contracts payable - current portion	0	230,000	230,000
Accrued interest	0	49,792	49,792
Other liabilities	16,468	0	16,468
Long-term liabilities:			
Due in more than one year	34,776	4,550,000	4,584,776
 Total Liabilities	 103,668	 4,849,549	 4,953,217
<b>Net Assets</b>			
Invested in capital assets, net of related debt	315,491	4,176,429	4,491,920
Restricted:			
Streets and highways	702,899	0	702,899
Park	18,217	0	18,217
Unrestricted	659,284	1,289,501	1,948,785
 Total Net Assets	 \$1,695,891	 \$5,465,930	 \$7,161,821

See accompanying notes to the basic financial statements.

# VILLAGE OF CARLETON

## *Statement of Activities Year Ended February 28, 2005*

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Legislative	\$6,827	\$0	\$0
General government	160,531	68,832	0
Public safety	285,954	9,911	1,733
Public works	270,670	67,657	132,942
Recreation and cultural	55,134	19,556	15,000
Total Governmental Activities	779,116	165,956	149,675
Business-type activities:			
Sewage disposal	609,636	465,034	0
Total primary government	<u>\$1,388,752</u>	<u>\$630,990</u>	<u>\$149,675</u>

### General Revenues:

Property taxes  
 State grants  
 Debt service and connection charges  
 Interest and investment earnings  
 Other  
 Loss on disposal of capital asset

Total general revenues

### Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

See accompanying notes to the basic financial statements.

<hr/> <hr/> Net (Expense) Revenue and Changes in Net Assets Primary Government		
Governmental Activities	Business-type Activities	Total
(\$6,827)	\$0	(\$6,827)
(91,699)	0	(91,699)
(274,310)	0	(274,310)
(70,071)	0	(70,071)
(20,578)	0	(20,578)
(463,485)	0	(463,485)
0	(144,602)	(144,602)
(463,485)	(144,602)	(608,087)
325,697	0	325,697
250,192	0	250,192
0	317,935	317,935
15,401	14,872	30,273
12,066	0	12,066
(2,438)	0	(2,438)
600,918	332,807	933,725
137,433	188,205	325,638
1,558,458	5,277,725	6,836,183
<u>\$1,695,891</u>	<u>\$5,465,930</u>	<u>\$7,161,821</u>



# VILLAGE OF CARLETON

## *Governmental Funds Balance Sheet February 28, 2005*

	General Fund	Major Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$531,745	\$508,072	\$227,405	\$1,267,222
Accounts receivable	32,093	0	1,137	33,230
Due from other governmental units	81,388	0	0	81,388
Prepaid expense	38,080	0	0	38,080
Advance to other funds	18,500	0	0	18,500
Total Assets	<u>\$701,806</u>	<u>\$508,072</u>	<u>\$228,542</u>	<u>\$1,438,420</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$22,386	\$612	\$1,091	\$24,089
Due to other funds	19,262	7,892	11,125	38,279
Due to other governmental units	24,343	673	1,117	26,133
Other liabilities	16,468	0	0	16,468
Total Liabilities	82,459	9,177	13,333	104,969
<b>Fund Balances</b>				
Reserved for right of way	7,012	0	0	7,012
Reserved for prepaid expenses	38,080	0	0	38,080
Reserved for advances	18,500	0	0	18,500
Unreserved:				
Designated for unemployment claim	2,000	0	0	2,000
Undesignated, reported in:				
General Fund	553,755	0	0	553,755
Special Revenues Funds	0	498,895	215,209	714,104
Total Fund Balances	<u>619,347</u>	<u>498,895</u>	<u>215,209</u>	<u>1,333,451</u>
Total Liabilities and Fund Balances	<u>\$701,806</u>	<u>\$508,072</u>	<u>\$228,542</u>	<u>\$1,438,420</u>

See accompanying notes to the basic financial statements.

## VILLAGE OF CARLETON

*Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
Year Ended February 28, 2005*

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<b>Total Fund Balances - Governmental Funds</b>		<b>\$1,333,451</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is:	336,578	
Accumulated depreciation is:	<u>(107,685)</u>	
		228,893
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(34,776)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are reported with the governmental activities.		<u>168,323</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$1,695,891</u></b>

See accompanying notes to the basic financial statements.

# VILLAGE OF CARLETON

## *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended February 28, 2005*

	General Fund	Major Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$325,697	\$0	\$0	\$325,697
Licenses and permits	61,900	0	0	61,900
State grants	251,925	89,601	43,341	384,867
Local unit contributions	0	0	15,000	15,000
Charges for services	332	0	0	332
Fines and forfeits	6,720	0	0	6,720
Interest income	6,425	6,454	2,089	14,968
Other revenue	27,797	0	22,012	49,809
<b>Total Revenues</b>	<b>680,796</b>	<b>96,055</b>	<b>82,442</b>	<b>859,293</b>
<b>Expenditures</b>				
Current Operating:				
Legislative	5,911	0	0	5,911
General government	101,148	0	0	101,148
Public safety	235,013	0	0	235,013
Public works	128,435	24,900	39,833	193,168
Recreation and cultural	616	0	54,314	54,930
Other	165,492	0	0	165,492
<b>Total Expenditures</b>	<b>636,615</b>	<b>24,900</b>	<b>94,147</b>	<b>755,662</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>44,181</b>	<b>71,155</b>	<b>(11,705)</b>	<b>103,631</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	0	0	15,000	15,000
Operating transfers out	(15,000)	0	0	(15,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(15,000)</b>	<b>0</b>	<b>15,000</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>29,181</b>	<b>71,155</b>	<b>3,295</b>	<b>103,631</b>
Fund Balances - Beginning of year	590,166	427,740	211,914	1,229,820
Fund Balances - End of year	<u>\$619,347</u>	<u>\$498,895</u>	<u>\$215,209</u>	<u>\$1,333,451</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF CARLETON**

*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended February 28, 2005*

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**Total Net Change in Fund Balances - Governmental Funds** \$103,631

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;  
in the statement of activities, these costs are allocated over their  
estimated useful lives as depreciation.

Depreciation expense	(16,980)	
Capital outlay	<u>46,769</u>	
		29,789

Increases in the liability for compensated absences are reported as  
expenditures in the statement of activities; but not in the  
governmental funds (2,137)

Internal Service Funds are used by management to charge the costs of  
certain activities to individual funds. The net revenue of the internal  
service funds is reported with governmental activities. 6,150

**Change in Net Assets of Governmental Activities** \$137,433

See accompanying notes to the basic financial statements.

# VILLAGE OF CARLETON

## *Proprietary Funds Statement of Net Assets February 28, 2005*

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Funds
	Sewage Disposal Fund	Equipment Fund
<b>Assets</b>		
Current Assets:		
Cash and certificate of deposit	\$907,333	\$40,425
Accounts receivable - Sewage accounts	23,671	0
Accounts receivable	6,993	1,010
Due from other funds	0	42,492
Due from other governmental units	80,363	0
	<hr/>	<hr/>
Total Current Assets	1,018,360	83,927
Restricted Assets:		
Cash with fiscal agent	290,944	0
Cash and certificates of deposit:		
Operating and Maintenance Fund	36,689	0
Debt Retirement Fund	13,057	0
	<hr/>	<hr/>
Total Restricted Assets	340,690	0
Capital Assets		
Land	112,003	0
Sewer mains	612,212	0
Service connections	73,006	0
Oxidation ponds and equipment	1,284,210	0
Wastewater treatment plant	8,513,375	0
Machinery & Equipment	0	242,581
Work in process	113,696	0
	<hr/>	<hr/>
Less: Accumulated depreciation	1,752,073	155,983
	<hr/>	<hr/>
Net Capital Assets	8,956,429	86,598
	<hr/>	<hr/>
Total Assets	10,315,479	170,525

See accompanying notes to the basic financial statements.

	Business-type Activities Enterprise Fund Sewage Disposal Fund	Governmental Activities Internal Service Fund Equipment Fund
<b>Liabilities</b>		
Current liabilities (payable from current assets):		
Accounts payable	\$12,380	\$2,202
Due to other funds	4,213	0
Due to other governments	3,164	0
Total Current Liabilities (payable from current assets)	19,757	2,202
Current liabilities (payable from restricted assets):		
Contracts payable - current portion	230,000	0
Accrued interest	49,792	0
Total Current Liabilities (payable from restricted assets)	279,792	0
Long-Term Liabilities:		
Contracts payable - non-current portion	4,550,000	0
Total Long-Term Liabilities	4,550,000	0
Total Liabilities	4,849,549	2,202
<b>Net Assets</b>		
Invested in capital assets, net of related debt	4,176,429	86,598
Unrestricted	1,289,501	81,725
Total Net Assets	\$5,465,930	\$168,323

# VILLAGE OF CARLETON

## *Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets Year Ended February 28, 2005*

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Sewage Disposal Fund	Equipment Fund
<b>Operating Revenues</b>		
Charges for services	\$465,034	\$0
Equipment rentals	0	58,289
<b>Total Operating Revenues</b>	465,034	58,289
<b>Operating Expenses</b>		
Depreciation	8,655	32,549
Sewer processing and maintenance	449,643	0
General office and administrative	26,229	1,200
Operating supplies	0	7,738
Audit	0	1,000
Repairs and maintenance	0	8,619
<b>Total Operating Expenses</b>	484,527	51,106
<b>Net Operating Income (Loss)</b>	(19,493)	7,183
<b>Non-Operating Revenues (Expenses)</b>		
Sewer tap fees - construction	8,100	0
Sewer tap fees - debt	309,835	0
Interest income	14,872	433
Interest expense	(124,169)	0
Paying agent fees	(940)	0
Other revenue	0	972
Loss on disposal of capital assets	0	(2,438)
<b>Total Non-Operating Revenues (Expenses)</b>	207,698	(1,033)
<b>Change in Net Assets</b>	188,205	6,150
Net Assets - Beginning of year	5,277,725	162,173
Net Assets - End of year	\$5,465,930	\$168,323

See accompanying notes to the basic financial statements.

# VILLAGE OF CARLETON

## *Proprietary Funds Statement of Cash Flows Year Ended February 28, 2005*

	Business-type Activities Enterprise Fund Sewage Disposal Fund	Governmental Activities Internal Service Fund Equipment Fund
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$441,918	\$30,584
Payments to suppliers	(289,619)	(15,218)
Payments to Internal Service Fund and administration fees	(7,857)	(1,200)
Net cash provided (used) by operating activities	144,442	14,166
<b>Cash Flows from Noncapital Financing Activities:</b>		
Other revenue	0	972
Net cash provided (used) from noncapital financing activities	0	972
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of capital assets	(113,696)	0
Principal payments on contracts payable	(295,000)	(18,790)
Interest paid	(128,613)	0
Paying agent fees	(940)	0
Debt service and connection charges	317,935	0
Net cash provided (used) for capital and related financing activities	(220,314)	(18,790)
<b>Cash Flows from Investing Activities:</b>		
Interest income	14,872	433
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(61,000)	(3,219)
Cash and Cash Equivalents - Beginning of Year	1,309,023	43,644
Cash and Cash Equivalents - End of Year	<u>\$1,248,023</u>	<u>\$40,425</u>

See accompanying notes to the basic financial statements.



# VILLAGE OF CARLETON

## *Proprietary Funds Statement of Cash Flows Year Ended February 28, 2005*

	Business-type Activities Enterprise Fund Sewage Disposal Fund	Governmental Activities Internal Service Fund Equipment Fund
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Operating income (loss)	(\$19,493)	\$7,183
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	182,335	32,549
Changes in operating assets and liabilities		
(Increase) decrease accounts receivable	3,273	(1,010)
(Increase) decrease due from other funds	0	(26,695)
(Increase) decrease due from other governments	(26,389)	0
Increase (decrease) accounts payable	745	2,139
Increase (decrease) due to other funds	2,899	0
Increase (decrease) due to other governments	1,072	0
Net cash provided (used) by operating activities	<u>\$144,442</u>	<u>\$14,166</u>

See accompanying notes to the basic financial statements.

## VILLAGE OF CARLETON

*Agency Funds*  
*Statement of Fiduciary Net Assets*  
*February 28, 2005*

	Agency Payroll	Tax Collection	Totals
<b>Assets</b>			
Cash	\$21,687	\$1,130	\$22,817
Due from other governmental units	24,249	0	24,249
Total Assets	<u>\$45,936</u>	<u>\$1,130</u>	<u>\$47,066</u>
<b>Liabilities</b>			
Salaries and payroll taxes payable	\$24,725	\$0	\$24,725
Due to other governmental units	2,711	1,130	3,841
Advance from General Fund	18,500	0	18,500
Total Liabilities	<u>\$45,936</u>	<u>\$1,130</u>	<u>\$47,066</u>

See accompanying notes to the basic financial statements.

## VILLAGE OF CARLETON

### *Notes to Financial Statements Year Ended February 28, 2005*

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#### Note 1 Description of the Village and Reporting Entity

The Village operates under a locally elected six member Board form of government. The Village provides the following services: public safety (police), highways and streets, sanitation, recreation and culture, public improvements, planning and zoning, general administrative services, and sewage disposal services.

#### Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village.

Component units are legally separate organizations for which the Village is financially accountable. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt, or the levying of taxes. The Village has no component units.

#### Note 2 Summary of Significant Accounting Policies

The financial statements of the Village of Carleton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the Village's accounting policies.

#### Basis of Presentation

##### A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. The Village's government-wide activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds, proprietary funds and agency funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds and the individual enterprise funds are reported as separate columns in the fund financial statements.

## VILLAGE OF CARLETON

*Notes to Financial Statements*  
*Year Ended February 28, 2005*

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Note 2      Summary of Significant Accounting Policies (Continued)  
Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village.

Agency fund statements also are reported using the economic resources measurement focus and cash basis of accounting.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. The General Fund accounts for all financial resources of the Village, except those required to be accounted for in another fund.

The Major Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all major streets.

The Village reports the following major proprietary fund:

The Sewage Disposal Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, and retirement of debt. Financing is provided by user charges.

Additionally, the Village reports the following Internal Service Fund type:

The Equipment Fund accounts for the financing and maintenance of machinery and equipment used by other Village departments. Such costs are billed to the other departments at rates established by the State of Michigan.

## VILLAGE OF CARLETON

*Notes to Financial Statements  
Year Ended February 28, 2005*

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Note 2      Summary of Significant Accounting Policies (Continued)  
Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

The Village reports the following nonmajor governmental funds:

The Local Street Fund, Municipal Street Fund, and the Ash-Carleton Park Fund are the Village's nonmajor governmental funds. These funds are used to account for specific revenue sources that are restricted for a particular purpose.

In accordance with GASB Statement 20 the Village has elected not to apply the FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent August 31 of the following year.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond February 28, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, water or sewer lines) are reported in the appreciable governmental or business-type activities columns of the government wide financial statements. Capital assets are defined by the Village as assets with an individual cost of more than \$1,000 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost information is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

## VILLAGE OF CARLETON

*Notes to Financial Statements*  
*Year Ended February 28, 2005*

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Note 2      Summary of Significant Accounting Policies (Continued)  
Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and buildings improvements	20-50 years
Machinery and equipment	5-10 years
Vehicles	5- 8 years
Sewer lines	50-99 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Accrued Liabilities and Long-Term Obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debt, notes and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

## VILLAGE OF CARLETON

*Notes to Financial Statements  
Year Ended February 28, 2005*

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Note 2      Summary of Significant Accounting Policies (Concluded)  
Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Compensated Absences - Village employees are granted vacation and sick leave. The vacation and sick leave is accrued in the government wide financial statements. In the fund financial statements, these amounts are reported when paid.

D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to February 28, the fiscal officer submits to the Village Council a proposed operating budget for the fiscal year commencing on March 1.
2. A public hearing is conducted during February to obtain taxpayer comments.
3. Prior to February 28, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget deemed necessary are approved by the Village Council.
5. Budgets are adopted on basis consistent with accounting principles generally accepted in the United States of America.
6. Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

## VILLAGE OF CARLETON

### *Notes to Financial Statements Year Ended February 28, 2005*

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#### Note 3      Changes in Accounting Principles and Restatement of Fund Balance

##### Changes in Accounting Principles

For fiscal year 2004, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*; GASB No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, GASB No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. At March 1, 2004, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the Village financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at February 29, 2004, caused by the conversion to the accrual basis of accounting.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

##### Restatement of Fund Balance

The restatements for GASB Statement No. 34 had the following effects on the transition from governmental fund balance to net assets of the governmental activities.

	Total Governmental Activities
Fund Balance February 29, 2004	\$1,229,820
GASB 34 Adjustments:	
Capital Assets, net of depreciation	199,104
Long-Term Liabilities	(32,639)
Internal Service Fund, net position	<u>162,173</u>
Governmental Activities Net Assets at February 29, 2004	<u>\$1,558,458</u>

#### Note 4      Stewardship, Accountability and Compliance

The Village shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.



## VILLAGE OF CARLETON

*Notes to Financial Statements  
Year Ended February 28, 2005*

### Note 5      Cash

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

The Council has authorized two depositories: Standard Federal Bank and Monroe Bank and Trust.

Deposits are carried at cost. The carrying amount of deposits is reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Agency Funds</u>	<u>Total Primary Government</u>
Carrying value of total deposits	<u>\$1,307,647</u>	<u>\$1,248,023</u>	<u>\$22,817</u>	<u>\$2,578,487</u>
Bank balance of deposits				\$2,579,553
Amount covered by FDIC				<u>200,000</u>
In uninsured and uncollateralized accounts				<u>\$2,379,553</u>

### Note 6      Interfund Receivables and Payables Balances at February 28, 2005 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
Equipment fund		\$19,262
Major Street Fund:		
Equipment Fund		7,892
Local Street Fund:		
Equipment Fund		11,125
Sewer Fund:		
Equipment Fund		4,213
Equipment Fund:		
General Fund	\$19,262	
Major Street Fund	7,892	
Local Street Fund	11,125	
Sewer Fund	<u>4,213</u>	
Totals	<u>\$42,492</u>	<u>\$42,492</u>

# VILLAGE OF CARLETON

## *Notes to Financial Statements Year Ended February 28, 2005*

### Note 7

### Capital Assets

A summary of changes in general fixed assets follows:

	Balance March 1, 2004	Additions	Deletions	Balance February 28, 2005
Governmental Activities				
Assets not being depreciated:				
Land	\$83,002	\$0	\$0	\$83,002
Capital assets being depreciated:				
Building and building improvements	110,501	0	0	110,501
Police vehicles	20,952	20,194	0	41,146
Police equipment	7,110	24,500	0	31,610
Office equipment	7,662	2,075	0	9,737
DPW equipment	60,582	0	0	60,582
Equipment Fund	341,207	0	(98,626)	242,581
Total capital assets	631,016	46,769	(98,626)	579,159
Less accumulated depreciation for:				
Building and building improvements	(25,863)	(2,525)	0	(28,388)
Police vehicles	(6,548)	(3,881)	0	(10,429)
Police equipment	(3,555)	(1,891)	0	(5,446)
Office equipment	(4,355)	(1,110)	0	(5,465)
DPW equipment	(50,384)	(7,573)	0	(57,957)
Equipment Fund	(219,622)	(32,549)	96,188	(155,983)
Total accumulated depreciation	(310,327)	(49,529)	96,188	(263,668)
Net capital assets	\$320,689	(\$2,760)	(\$2,438)	\$315,491
Business Activities				
Assets not being depreciated:				
Land	\$112,003	\$0	\$0	\$112,003
Construction in progress	0	113,696	0	113,696
Capital assets being depreciated:				
Sewer mains	612,212	0	0	612,212
Service connections	73,006	0	0	73,006
Oxidation ponds and equipment	1,284,210	0	0	1,284,210
Wastewater treatment	8,513,375	0	0	8,513,375
Total capital assets	10,594,806	113,696	0	10,708,502
Less accumulated depreciation for:				
Sewer mains	(191,035)	(8,655)	0	(199,690)
Service connections	(41,219)	(1,460)	0	(42,679)
Oxidation ponds and equipment	(656,607)	0	0	(656,607)
Wastewater machinery and equipment	(680,877)	(172,220)	0	(853,097)
Total accumulated depreciation	(1,569,738)	(182,335)	0	(1,752,073)
Net capital assets	\$9,025,068	(\$68,639)	\$0	\$8,956,429

# VILLAGE OF CARLETON

## *Notes to Financial Statements Year Ended February 28, 2005*

### Note 7

#### Capital Assets (Concluded)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 698
Public safety	8,709
Public works	<u>40,122</u>
Total governmental activities	<u>\$49,529</u>

### Note 8

#### Interfund Transfers

Interfund transfers for the year ended February 28, 2005, consisted of the following:

	<u>Transfers Out</u>
	<u>General Fund</u>
<u>Transfers In</u>	
Special Revenue Funds:	
Ash-Carleton Park Fund	<u>\$15,000</u>

The transfer from the General Fund to the Ash-Carleton Park Fund was to assist in the payment of park expenditures.

### Note 9

#### Long-Term Debt

The following is a summary of long-term debt outstanding as of February 28, 2005:

	<u>Balance 3/1/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 02/28/05</u>	<u>Amount Due In One Year</u>
Contract Liability for Sewage Disposal Bonds-System No. 2: \$640,000 issue dated October 1, 1987 maturing serially in annual amounts from \$15,000 to \$70,000 and bearing interest at rates from 8.1% to 9.25%.	\$ 70,000	\$ -	\$ 70,000	\$ -	\$ -
Contract Liability for Sewage Disposal System Bonds (Village of Carleton System No. 3) Series 2001: \$5,330,000 issue dated September 28, 2001 maturing serially in annual amounts from \$110,000 to \$340,000 and bearing interest at a rate of 2.500%.	5,005,000	-	225,000	4,780,000	230,000
Installment Purchase Agreement to New Holland Credit for back-hoe/loader, dated December 12, 2002, payable \$1,879 per month, at 0% interest due December 12, 2004.	\$ 18,790	\$ -	\$ 18,790	\$ -	\$ -
	5,093,790	-	313,790	4,780,000	230,000
Compensated absences payable	32,639	2,137	-	34,776	-
	<u>\$5,126,429</u>	<u>\$2,137</u>	<u>\$313,790</u>	<u>\$4,814,776</u>	<u>\$230,000</u>

## VILLAGE OF CARLETON

*Notes to Financial Statements*  
*Year Ended February 28, 2005*

Note 9      Long-Term Debt (Continued)

Compensated absences payable represents benefits for vacation and sick leave as of year end.

The following are schedules of remaining principal and interest requirements for these bonds as of February 28, 2005:

Contract Liability for Sewage Disposal System Bonds (Village of Carleton System No. 3) Series 2001:

<u>Due Date</u>	<u>Bond Principal</u>	<u>Interest</u>	<u>Totals</u>
4/1/05	\$ 230,000	\$ 59,750	\$ 289,750
10/1/05		56,875	56,875
4/1/06	235,000	56,875	291,875
10/1/06		53,938	53,938
4/1/07	240,000	53,938	293,938
10/1/07		50,938	50,938
4/1/08	245,000	50,938	295,938
10/1/08		47,875	47,875
4/1/09	255,000	47,875	302,875
10/1/09		44,687	44,687
4/1/10	260,000	44,688	304,688
10/1/10		41,438	41,438
4/1/11	265,000	41,438	306,438
10/1/11		38,125	38,125
4/1/12	270,000	38,125	308,125
10/1/12		34,750	34,750
4/1/13	280,000	34,750	314,750
10/1/13		31,250	31,250
4/1/14	285,000	31,250	316,250
10/1/14		27,687	27,687
4/1/15	295,000	27,687	322,687
10/1/15		24,000	24,000
4/1/16	300,000	24,000	324,000
10/1/16		20,250	20,250
4/1/17	310,000	20,250	330,250
10/1/17		16,375	16,375
4/1/18	315,000	16,375	331,375
10/1/18		12,437	12,437
4/1/19	325,000	12,437	337,437
10/1/19		8,375	8,375
4/1/20	330,000	8,375	338,375
10/1/20		4,250	4,250
4/1/21	<u>340,000</u>	<u>4,250</u>	<u>344,250</u>
	<u>\$4,780,000</u>	<u>\$1,086,251</u>	<u>\$5,866,251</u>

## VILLAGE OF CARLETON

### *Notes to Financial Statements Year Ended February 28, 2005*

#### Note 9      Long-Term Debt (Concluded)

The annual requirements to pay principal and interest on the long-term debt outstanding at February 28, 2005, excluding compensated absences, are as follows:

<u>Fiscal Years</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005 - 2006	\$ 230,000	\$ 116,625	\$ 346,625
2006 - 2007	235,000	110,813	345,813
2007 - 2008	240,000	104,876	344,876
2008 - 2009	245,000	98,813	343,813
2009 - 2010	255,000	92,562	347,562
2010 - 2015	1,360,000	363,501	1,723,501
2015 - 2020	1,545,000	182,186	1,727,186
2020 - 2021	<u>670,000</u>	<u>16,875</u>	<u>686,875</u>
	<u>\$4,780,000</u>	<u>\$1,086,251</u>	<u>\$5,866,251</u>

#### Note 10      Michigan Unemployment

On May 16, 1974, Governor Milliken signed into law enrolled Senate Bill 741, which is known as Act No. 104 of the Public Acts of 1974. The provisions of this Act subject political subdivisions to the Michigan Employment Security Act effective January 1, 1975.

Effective January 1, 1983 the Village of Carleton established a group account with the Michigan Municipal League Unemployment Compensation Group Account. The league is funded by members contributions and represents its membership before the M.E.S.C. Establishment of the group account does not relieve the Village from liability for charges attributable to service in its employ which exceed contributions to the league. As of February 28, 1994, a \$2,000 reserve has been established in the General Fund for any contingent liability. There was no expense for the period for Unemployment Insurance.

#### Note 11      Billing and Collection - Sewerage Accounts

Billing and collection of sewerage service, and the posting of customer accounts, are performed by Ash Township on a contractual basis. The Township charges 5% of the total collections as a fee for this service, in addition to retaining penalties collected on delinquent accounts. The fee for 2004-2005 amounted to \$17,929.

#### Note 12      Property Taxes

The Village bills and collects its own property taxes. For 2004, the Village tax levy was spread as follows:

	<u>Mills Levied</u>	<u>Taxes Levied</u>
General Fund	8.750	<u>\$322,944</u>

The Village's 2004 property taxes, levied on July 1, 2004 on assessed valuation as of December 31, 2003, were due and payable by August 31, 2004. Taxable values, which amounted to \$36,914,043 represent a percentage of the fair market value of the assessed property.

## VILLAGE OF CARLETON

### *Notes to Financial Statements Year Ended February 28, 2005*

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Note 12      Property Taxes (Concluded)

As of February 28, 2005, delinquent taxes of \$18,400 are reflected as a receivable in the General Fund.

Note 13      Employee's Pension Plan

Plan Description

The Village of Carleton is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System of Michigan (MERS), administered by the State of Michigan.

Benefit provisions and all other requirements are established by state statute and Village council resolution. All full time Village employees are eligible to participate in MERS. Benefits vest after 10 years of service. Village employees who retire at or after age 60 with 10 years, age 55 with 15 years, and age 50 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.3% of a members 5 - year final average compensation. The system also provides disability retirement allowance, non duty death allowance, duty connected death and post retirement adjustments.

The Municipal Employees Retirement System of Michigan issues a publically available financial report which may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

General and police employees contribute 4.0% of their wages to the plan which amounted to \$8,441 for the fiscal year ending February 28, 2005. The Village is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by State statute. The Village's annual required contribution was \$2,366 for the fiscal year ending February 28, 2005 (1.12% of covered payroll of \$210,924). The contribution requirements of plan members and the Village are established by the Village and by the MERS Board of Trustees.

Annual Pension Cost

For the fiscal year ending February 28, 2005, the Village's annual pension cost of \$2,366 for the plan was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions include a) 8.0% investment rate of return, b) projected salary increase of 4.5% per year compounded annually, attributable to inflation, c) additional projected salary increases of 0.0% to 4.5% plus a percentage, depending on age, attributable to merit, longevity and promotional and, d) assumptions that benefits will increase after retirement.

# VILLAGE OF CARLETON

*Notes to Financial Statements  
Year Ended February 28, 2005*

**Note 13**     Employee's Pension Plan (Concluded)

Annual Pension Cost (Concluded)

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The Village's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years.

Three-year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
2/28/03	\$ 278	100%	\$ -
2/29/04	1,963	100%	-
2/28/05	2,366	100%	-

	<u>Valuation Ended December 31,</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$371,511	\$387,315	\$423,604
Actuarial accrued liability (entry age)	345,446	335,615	495,544
Unfunded AAL	(26,065)	(51,700)	71,940
Funded ratio	108%	115%	85.5%
Annual payroll	236,030	223,230	258,395
UAAL as a percentage of annual covered payroll	0%	0%	29%

Additional Pension Benefits

Effective March 1, 2003, the Village began contributing fifty cents per employee per hour worked and/or paid with a maximum of forty hours per week for additional pension benefits. All full-time Village employees that are members of the International Union of Operating Engineers Local 547 are eligible to participate in a defined contribution pension plan with the Central Pension Fund. Full vesting occurs immediately; benefit provisions and all other requirements are established by the union.

Non-union employees are not eligible to participate in the Central Pension Fund. In lieu of the Central Pension Fund benefits, the full-time non-union employees will receive fifty cents per employee per hour worked and/or paid with a maximum of forty hours per week.

**Note 14**     Building Department

The Village tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending February 28, 2005, of \$51,005 did not exceed the related costs and administrative overhead.

**Note 15**     Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

# VILLAGE OF CARLETON

*General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended February 28, 2005*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes:				
Property taxes	\$341,000	\$322,800	\$322,994	\$194
Trailer park taxes	2,700	2,700	2,703	3
	<u>343,700</u>	<u>325,500</u>	<u>325,697</u>	<u>197</u>
Licenses and permits	24,500	58,200	61,900	3,700
State grants:				
State shared revenue	250,000	243,000	250,192	7,192
Liquor license fees	1,600	1,700	1,733	33
	<u>251,600</u>	<u>244,700</u>	<u>251,925</u>	<u>7,225</u>
Charges for services	200	300	332	32
Fines and forfeits	6,000	6,200	6,720	520
Interest income	5,000	10,300	6,425	(3,875)
Other revenue:				
Other revenue	2,400	8,500	18,006	9,506
Ordinance 168 fees	52,600	1,300	3,191	1,891
Administrative rents	6,400	6,400	6,600	200
	<u>61,400</u>	<u>16,200</u>	<u>27,797</u>	<u>11,597</u>
Total Revenues	692,400	661,400	680,796	19,396



# VILLAGE OF CARLETON

## General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended February 28, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Expenditures</b>				
Legislative:				
Council	\$5,700	\$6,700	\$5,911	\$789
General government:				
President	5,000	5,000	4,800	200
Election	2,400	600	620	(20)
Audit	5,000	5,000	4,750	250
Finance officer	1,800	6,000	5,040	960
Attorney	12,000	9,000	5,844	3,156
Other legal	300	2,600	1,975	625
Clerk	39,600	42,500	41,685	815
Treasurer	7,000	8,000	7,900	100
Village hall and grounds	21,800	24,200	23,264	936
Engineering	38,000	3,500	5,270	(1,770)
	132,900	106,400	101,148	5,252
Public safety:				
Police department	239,200	218,000	212,587	5,413
Blight enforcement	2,400	2,400	2,141	259
Building inspection	4,500	15,500	15,397	103
Electrical inspection	1,500	2,200	1,875	325
Plumbing inspection	0	3,000	2,773	227
Planning commission	200	200	150	50
Zoning board	100	100	90	10
	247,900	241,400	235,013	6,387
Public works:				
Department of public works	63,000	64,500	68,229	(3,729)
Streetlights	19,800	20,900	20,899	1
Sanitation	39,800	39,400	39,307	93
	122,600	124,800	128,435	(3,635)

# VILLAGE OF CARLETON

*General Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Budget and Actual*  
*Year Ended February 28, 2005*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Expenditures(Concluded)</b>				
Recreation and cultural:				
Administration	\$500	\$600	\$616	(\$16)
Other:				
Hospitalization insurance	68,800	70,100	70,013	87
Life insurance	6,600	4,700	4,673	27
Social security	26,600	24,900	24,845	55
Insurance	51,000	50,700	50,547	153
Worker's compensation insurance	5,000	7,100	7,060	40
Retirement	9,800	9,000	8,354	646
	<u>167,800</u>	<u>166,500</u>	<u>165,492</u>	<u>1,008</u>
Total Expenditures	<u>677,400</u>	<u>646,400</u>	<u>636,615</u>	<u>9,785</u>
Excess (Deficiency) of				
Revenues Over Expenditures	15,000	15,000	44,181	29,181
<b>Other Financing Sources (Uses)</b>				
Operating transfer out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	0	0	29,181	29,181
Fund Balances - Beginning of year	<u>528,415</u>	<u>590,166</u>	<u>590,166</u>	<u>0</u>
Fund Balances - End of year	<u><u>\$528,415</u></u>	<u><u>\$590,166</u></u>	<u><u>\$619,347</u></u>	<u><u>\$29,181</u></u>

# VILLAGE OF CARLETON

*Major Street Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Budget and Actual*  
*Year Ended February 28, 2005*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
State grants	\$84,000	\$84,000	\$89,601	\$5,601
Interest income	3,000	3,000	6,454	3,454
<b>Total Revenues</b>	<b>87,000</b>	<b>87,000</b>	<b>96,055</b>	<b>9,055</b>
<b>Expenditures</b>				
Public works:				
Construction	35,000	35,000	0	35,000
Routine maintenance	16,000	16,000	9,470	6,530
Traffic services	1,500	1,500	487	1,013
Winter maintenance	14,000	14,000	12,843	1,157
Administrative	2,300	2,300	2,100	200
<b>Total Expenditures</b>	<b>68,800</b>	<b>68,800</b>	<b>24,900</b>	<b>43,900</b>
<b>Net Change in Fund Balances</b>	<b>18,200</b>	<b>18,200</b>	<b>71,155</b>	<b>52,955</b>
Fund Balances - Beginning of year	422,141	422,141	427,740	5,599
Fund Balances - End of year	<u>\$440,341</u>	<u>\$440,341</u>	<u>\$498,895</u>	<u>\$58,554</u>

**VILLAGE OF CARLETON***Nonmajor Governmental Funds  
Combining Balance Sheet  
February 28, 2005*

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Local Street Fund	Municipal Street Fund	Ash-Carleton Park Fund	
<b>Assets</b>				
Cash and cash equivalents	\$181,965	\$27,223	\$18,217	\$227,405
Accounts receivable	1,137	0	0	1,137
Total Assets	<u>\$183,102</u>	<u>\$27,223</u>	<u>\$18,217</u>	<u>\$228,542</u>
<b>Total Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$1,091	\$0	\$0	\$1,091
Due to other funds	11,125	0	0	11,125
Due to other governmental units	1,117	0	0	1,117
Total Liabilities	13,333	0	0	13,333
<b>Fund Balances</b>				
Unreserved - undesignated	169,769	27,223	18,217	215,209
Total Fund Balances	169,769	27,223	18,217	215,209
Total Liabilities and Fund Balances	<u>\$183,102</u>	<u>\$27,223</u>	<u>\$18,217</u>	<u>\$228,542</u>

# VILLAGE OF CARLETON

## *Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended February 28, 2005*

	Special Revenue Funds			
	Local Street Fund	Municipal Street Fund	Ash-Carleton Park Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
State grants	\$43,341	\$0	\$0	\$43,341
Local unit contributions	0	0	15,000	15,000
Interest income	1,899	142	48	2,089
Other revenue	2,356	0	19,656	22,012
 Total Revenues	 47,596	 142	 34,704	 82,442
<b>Expenditures</b>				
Public works	39,833	0	0	39,833
Recreation and cultural	0	0	54,314	54,314
 Total Expenditures	 39,833	 0	 54,314	 94,147
 Excess (Deficiency) of Revenues Over Expenditures	 7,763	 142	 (19,610)	 (11,705)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	0	0	15,000	15,000
 <b>Net Change in Fund Balances</b>	 7,763	 142	 (4,610)	 3,295
 Fund Balances - Beginning of year	 162,006	 27,081	 22,827	 211,914
 Fund Balances - End of year	 \$169,769	 \$27,223	 \$18,217	 \$215,209

# VILLAGE OF CARLETON

## *Local Street Fund* *Statement of Revenues, Expenditures, and Changes in Fund Balances* *Budget and Actual* *Year Ended February 28, 2005*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
State grants	\$39,000	\$39,000	\$43,341	\$4,341
Interest income	1,000	1,000	1,899	899
Other income	1,500	1,500	2,356	856
Total Revenues	41,500	41,500	47,596	6,096
<b>Expenditures</b>				
Public works:				
Routine maintenance	23,700	23,700	24,161	(461)
Traffic services	1,500	1,500	920	580
Winter maintenance	14,000	14,000	12,652	1,348
Administrative	2,300	2,300	2,100	200
Total Expenditures	41,500	41,500	39,833	1,667
<b>Net Change in Fund Balances</b>	0	0	7,763	7,763
Fund Balances - Beginning of year	157,035	157,035	162,006	4,971
Fund Balances - End of year	\$157,035	\$157,035	\$169,769	\$12,734

**VILLAGE OF CARLETON**

*Municipal Street Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended February 28, 2005*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Interest income	\$100	\$100	\$142	\$42
Total Revenues	100	100	142	42
<b>Expenditures</b>	0	0	0	0
<b>Net Change in Fund Balances</b>	100	100	142	42
Fund Balances - Beginning of year	27,077	27,077	27,081	4
Fund Balances - End of year	\$27,177	\$27,177	\$27,223	\$46

# VILLAGE OF CARLETON

## *Ash-Carleton Park Fund* *Statement of Revenues, Expenditures, and Changes in Fund Balances* *Budget and Actual* *Year Ended February 28, 2005*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>Revenues</b>				
Local unit contribution	\$15,000	\$15,000	\$15,000	\$0
Interest income	0	0	48	48
Other revenue	15,000	14,700	19,656	4,956
Total Revenues	30,000	29,700	34,704	5,004
<b>Expenditures</b>				
Recreation and cultural:				
Administration	8,700	10,500	10,374	126
Recreational and programs	24,000	29,300	29,157	143
Park improvements	2,800	2,800	2,511	289
Park maintenance	9,500	12,400	12,272	128
Total Expenditures	45,000	55,000	54,314	686
Excess (Deficiency) of				
Revenues over Expenditures	(15,000)	(25,300)	(19,610)	5,690
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	15,000	15,000	15,000	0
<b>Net Change in Fund Balances</b>	0	(10,300)	(4,610)	5,690
Fund Balances - Beginning of year	22,682	22,827	22,827	0
Fund Balances - End of year	<u>\$22,682</u>	<u>\$12,527</u>	<u>\$18,217</u>	<u>\$5,690</u>



# VILLAGE OF CARLETON

## *Agency Funds Statement of Changes in Assets and Liabilities*

*February 28, 2005*

### **Agency - Payroll**

	Balance March 1, 2004	Additions	Deductions	Balance February 28, 2005
<b>Assets</b>				
Cash	\$20,618	\$343,203	\$342,134	\$21,687
Due from other governmental units	20,705	3,544	0	24,249
	<u>\$41,323</u>	<u>\$346,747</u>	<u>\$342,134</u>	<u>\$45,936</u>
<b>Liabilities</b>				
Salaries and payroll taxes payable	\$21,036	\$343,203	\$339,514	\$24,725
Due to other governmental units	1,787	8,555	7,631	2,711
Advance from General Fund	18,500	0	0	18,500
	<u>\$41,323</u>	<u>\$351,758</u>	<u>\$347,145</u>	<u>\$45,936</u>
Total Liabilities				

### **Agency - Tax Collection Fund**

<b>Assets</b>				
Cash	<u>\$0</u>	<u>\$305,475</u>	<u>\$304,345</u>	<u>\$1,130</u>
<b>Liabilities</b>				
Due to other governmental units	<u>\$0</u>	<u>\$305,475</u>	<u>\$304,345</u>	<u>\$1,130</u>

# VILLAGE OF CARLETON

## *Sewage Disposal Fund* *Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets* *Years Ended February 28, 2005 and February 29, 2004*

	2005	2004
<b>Operating Revenues</b>		
Charges for services:		
Sewer service	\$358,946	\$376,711
Sewer processing charge - Ash Township	106,088	120,101
Total Operating Revenues	465,034	496,812
<b>Operating Expenses</b>		
Maintenance of mains:		
Depreciation	8,655	8,084
Sewer processing and maintenance:		
Wages - employees	17,307	12,380
Operating supplies	4,889	807
Contractual	208,513	212,110
Engineering	28,298	48,838
Utilities	385	363
Repairs and maintenance	5,437	6,645
Equipment rentals	4,857	10,269
Miscellaneous	6,277	2,086
Depreciation	173,680	173,680
	449,643	467,178
General Office and Administrative:		
Audit fees	5,300	5,100
Contractual	17,929	19,474
Administrative rent charge	3,000	3,000
Miscellaneous	0	21,939
	26,229	49,513
Total Operating Expenses	484,527	524,775
Net Operating Income (Loss)	(19,493)	(27,963)
<b>Non-Operating Revenues (Expenses)</b>		
Sewer tap fees - construction	8,100	357,500
Sewer tap fees - debt	309,835	143,582
Interest income	14,872	8,673
Interest expense	(124,169)	(135,433)
Paying agent fees	(940)	(670)
Total Non-Operating Revenues (Expenses)	207,698	373,652
<b>Change in Net Assets</b>	188,205	345,689
Net Assets - Beginning of year	5,277,725	4,932,036
Net Assets - End of year	\$5,465,930	\$5,277,725



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## Report of Comments and Recommendations

### President and Members of Village Council:

Our audit of the general purpose financial statements of the Village of Carleton for the year ended February 28, 2005, was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry, and confirmation, that we determine that existing internal controls, accounting procedures, and accounting records are adequate to allow us to express our opinion on the financial statements of the Village. During the course of our audit, we noted certain practices and procedures which we believe could be changed to improve existing internal controls, accounting procedures, accounting records, and other matters.

Our comments on these items are set forth herein for your review and have been discussed with appropriate personnel. These comments are based primarily upon procedures employed during our audit and therefore do not encompass all matters that might result from special studies directed toward such matters.

#### New Reporting Model

For the fiscal year ending February 28, 2005, the Village implemented GASB No. 34. This new reporting model created new financial statements and has a new section entitled *Management's Discussion and Analysis*, which is written by the Village, is a narrative introduction, overview, and analysis of the current year activity.

#### Sewage Disposal Fund Bond Accounts

As of February 28, 2005, the Village had accumulated \$344,502 in the "Bond Reserve" account and \$233,055 in the "Repair and Replacement" account.

#### Park Fund

The internal accounting control system of the Park Fund involves only a few people and as such does not allow for many of the checks and balances of a large system. We encourage the involvement of the Park Commission and the Village Council in the internal control process.

#### Payroll

During the audit, we noted several incorrect W-2's. We suggest that the Form W-3 be reconciled to the Form 941's. The reconciliation will assist in detecting errors.

Petty Cash

Currently, the petty cash activity for the Police Department is being recorded on a log that is maintained by the Police Department. We suggest a monthly reconciliation of petty cash so that the Village is able to record the activity in the financial statements in a timely manner.

Building Permits

Building permits are not recorded in a log. The log would provide a system to account for the sequential order of all permits issued. The accounting for all permits would verify that all the building permit activity is recorded.

Play Scape

The Village is collecting donations to build a Play Scape. There is only one person collecting and depositing the donations. We suggest the Village implement a system to involve more than one person to provide a check and balance system.

Sewer Processing Charges

During the audit for the fiscal year ending February 28, 2005, we noted the following errors in calculating the Township's remittances to the Village:

Underpayment of 2004/2005 sewer collections	\$3,857.19
Underpayment of sewer processing fees	<u>0.00</u>
Underpayment from Township at February 28, 2005	<u>\$3,857.19</u>

We recommend that the Village review these errors with Ash Township and continue to monitor this situation as they have in the past.

We wish to express our appreciation for the continuing cooperation and courtesy extended to us by all officers and employees of the Village. We would be pleased to discuss any of these recommendations with you, and to provide any assistance that you may require in their implementation.

Very truly yours,

*Cooley Hehl Wohlgamuth & Carlton*

April 26, 2005